

Message Text

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FOR OIM/WELCH

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SUBJECT: DIY SHOW

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REFTEL A PARA 2: AS MENTIONED IN ANDERSON/LEVINE TELCON OF
JULY 9, MR. INABA OF EMB. E/C SECTION HAS COMPLETED PRELIMINARY
DESK STUDY OF HOME USE PAINT. DRAFT OF STUDY HAS BEEN AIRMAILED
TO OIM. FOLLOWING ARE MAJOR CONCLUSION:

1. SIZE OF JAPANESE PAINT INDUSTRY IS ABOUT \$1.3 BILLION OF
WHICH HOME USE PAINT SHARE IS ONLY 3-6 PERCENT OR \$40-\$80
MILLION. HOWEVER RAPID GROWTH IS EXPECTED IN THIS MARKET,
PERHAPS 30-40 PERCENT THIS YEAR, AS THE JAPANESE STRIVE TO
IMPROVE THEIR LIVING STYLE.
2. MOST SALEABLE ITEMS IN JAPAN INCLUDE: FLAT AND GLOSS WATER
PAINTS, WATER EMULSION PAINTS, STAINS, POWDER PAINTS AND AIR
SPRAY PAINTS. PAINTS THAT CONTAIN AROMATIC COMPOUNDS AND/OR
HEAVY METALS SUCH AS ZINC, COBALT OR NICKEL WILL BE REFUSED BY
CONSUMERS AND THERE ARE ALSO CERTAIN LEGAL RESTRICTION ON
THEIR USE.
3. HOME USE PAINT IS USUALLY SOLD IN CONTAINERS NO LARGER THAN
2 LITERS. DEMAND FOR CONTAINERS LARGER THAN 3 LITERS IS
NEGLECTIBLE. THE PRICE OF JAPANESE HOME USE PAINT IS ABOUT
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DOUBLE THAT OF AMERICAN PAINT.

4. THE LARGE JAPANESE PAINT COMPANIES HAVE INDEPENDENT SALES COMPANIES WHICH DISTRIBUTE THROUGH WHOLESALERS TO PAINT RETAILERS, SUPERMARKETS, DEPARTMENT STORES, HARDWARE STORES, DO IT YOURSELF AND LUMBER SHOPS. SMALLER COMPANIES DISTRIBUTE INITIALLY TO WHOLESALERS. PAINT RETAILERS' LOYALTY TO WHOLESALERS/ MANUFACTURERS IS STRONG. NUMBER OF DIY SHOPS IN JAPAN IS INCREASING AND THIS IS PROBABLY EASIEST CHANNEL FOR U.S. SUPPLIERS OF HOME USE PAINT.

5. IN 1975, THE U.S. EXPORTED 1,703 MILLION YEN OF PAINT TO JAPAN. THE BIGGEST PROBLEM TO INCREASED SALES IS THE CLANNISH DISTRIBUTION CHANNEL AND THE DIFFERENT TASTES OF THE JAPANESE CONSUMER VIS A VIS THE AMERICAN CONSUMER.

6. U.S. HOME USE PAINT COMPANIES MAY ENTER THE JAPANESE MARKET THROUGH 1) DIRECT SALES TO JAPANESE IMPORTERS 2) TECHNICAL TIE-UPS WITH JAPANESE PAINT MANUFACTURERS OR 3) THROUGH APPROACHES TO THE VOLUNTARY CHAINS OF DIY SHOPS. THIS LATTER APPROACH HAS PROVED EFFECTIVE FOR U.S. COMPANIES IN THE HOUSEWARES, GIFT, AND HOBBY INDUSTRIES.

7. REF C PARA 2: ONE METHOD OF SELLING TO JAPAN WOULD BE TO EXPORT IN BULK AND PACKAGE IN JAPAN IN CANS OF 0.7 LITERS AND 2.0 LITERS WHICH ARE THE MOST POPULAR SIZE CONTAINERS. ONE ADVANTAGE WOULD BE A LOWER RATE OF IMPORT DUTY. THE POST BELIEVES THAT THERE IS POTENTIAL FOR UNITED COATINGS TO SELL PRIVATE LABEL PAINT TO JAPANESE SUPERMARKETS, DEPARTMENT STORES AND SUPERSTORES IF PAINT MEETS QUALITY STANDARDS, CONSUMER PREFERENCES AND PRICE COMPETITION. THE POST DOES BELIEVE, HOWEVER, THAT THE PREFERRED CHANNEL WOULD BE DIY SHOPS.
HODGSON

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